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Dried Fruit

Annual

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Report Highlights:

For MY 2005/06, Mexican imports of raisins are forecast to increase despite the expected 8,000 MT production in the Caborca region, which is still unable to cover the domestic demand. Regardless of this trend, attractive international prices would encourage Mexican producers and packers to augment exports.

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

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PRODUCTION

Raisin production for MY 2005/06 (August/July) is forecast at 8,000 MT, up 9.5 percent from the previous year's estimate, due to the occurrence of mild temperatures and ideal humidity during the blooming stages and the development of more efficient irrigation systems. The merging of these factors, along with the use of improved seed, is expected to spur yields. In recent years, according to official and private sources of information, raisin production has decreased substantially due to difficult producing conditions, low international prices, and lack of available financial credit. These conditions have also resulted in limiting the expansion of acreage for raisin production.

In MY 2003/04 and MY 2004/05 the incidence of low temperatures during the early growing stages combined with low international prices caused a drop in production levels. Moreover, increased imports of lower-priced Chilean raisin in MY 2003/04 contributed to this trend. Reportedly, the amount of grapes destined for raisin production is largely dependent upon the price relationship between table grapes, wine, juice grapes and raisins. The Caborca region, in the northern state of Sonora, is the main producing area for table grapes, asparagus, raisins and olives. Raisin production figures for MY 2003/04 and 2004/05 were revised downward to reflect more recent and accurate private and official data.

Area planted for MY 2005/06 is forecast to remain at 3,000 ha, the same as in MY 2003/04 and MY 2004/05, due to restrictions on water usage and lack of financial credit. In the past 10 years, the Caborca region has gradually depleted its aquifers more than expected, encouraging producers to reprioritize the region's entire crop production according to water availability. The overall average yield for MY 2005/06 is forecast at 2.7 MT/ha due to more efficient use of the limited water resources and adoption of improved raisin varieties. Yields in MY 2003/04 and MY 2004/05 averaged 2.4 MT/ha. Currently, raisin producers are focusing their resources on maintaining drip and pressurized irrigation, established roughly two years ago, and have cut spending on inputs such as fertilizers and pesticides. For MY 2005/06, the same water conditions are expected to prevail.

As described above, raisin production in MY 2004/05 was negatively affected by the lack of credit, low international prices and lack of water. Although producers are complaining of persistent lower-priced Chilean raisin imports, official data reveals that the United States replaced Chile as the main supplier of raisins during CY 2004. For MY 2005/06, Mexican growers expect to better compete, on a larger scale, in the international market for two reasons: the expected reduction of U.S. grape production intended for raisins and Chilean producers' decision to broaden their coverage in the EU market, to search for better profits supported by the stronger EU currency.

According to official estimates, the cost of production in Sonora for MY 2004/05 was between MX\$ 26,000-27,500 per hectare (US\$ 2,325 – 2,459/ha). Production costs depend heavily on growers' cultural practices, costs of imported inputs, and water supply. Water continues to comprise the greatest share of the total cost of production.

CONSUMPTION

Raisin consumption for MY 2005/06 is forecast at 17,600 MT, slightly below the previous year's estimate. In recent years, demand from the retail and government sectors has increased, though both are very small when compared with the food-processing sector. Since the food-processing sector is so significant, the slight decrease in demand by this sector resulted in the mild decrease in overall raisin consumption for MY 2005/06. Specifically, the retail sector has tracked the substantial changes in consumption patterns. To keep pace with this trend, the Caborca producers and packers—who traditionally

commercialize their products in bulk— are currently joining forces to supply the retail sector with one-half and one kilogram raisin packages, which are more adequately sized for consumption in Mexican households. Recently, the introduction and distribution of such packages in some chain stores began on a small scale, and it is projected to enlarge their coverage in the short-medium term. In addition, the Mexican government is promoting domestically produced raisins by including 50-gram bags of them in the school breakfast programs of certain states on a permanent basis. Consumption estimates for MY 2003/04 and MY 2004/05 were revised upward due to increased imports and plummeted international export prices, reflecting the latest industry and official data.

For MY 2005/06, private sources stated that domestic and international prices are expected to be more attractive. International prices may average US\$ 0.80 per pound compared to US\$ 0.48 - \$0.52 per pound for MY 2004/05. Wholesale prices in Mexico City for domestically produced raisins ranged from MX\$ 13.00 to \$22.00 pesos per kilogram (US\$ 0.52 to \$0.89/lb) in MY 2004/05, as compared to MX\$ 14.50 to \$17.50 pesos per kilogram (US\$ 0.58 to \$0.71/lb) and MX\$ 17.00 to \$22.00 pesos per kilogram (US\$ 0.69 to \$0.89/lb) of Chilean and U.S. raisins, respectively. Bakeries and food processors remain the largest consumers of domestic and U.S. raisins, since their size and quality are more adequate for the production processes of those sectors. According to private sources, U.S. and domestic raisins are preferred over Chilean raisins for the preparation of traditional Mexican sweet breads by companies like Bimbo, Tia Rosa and others, because Chilean raisins are larger and thereby unsuitable for their products.

TRADE

Mexican raisin exports for MY 2005/06 are forecast at 3,900 MT due to expectations that international markets will offer attractive prices and increased production will allow supplies to remain available for export. Moreover, when given the choice, Mexican producers prefer to export their product because export-quality raisins generally attract higher prices internationally than they do in Mexico. However, the raisin export estimates for MY 2003/04 and MY 2004/05 were revised downward due to decreased prices in international markets. Currently, Mexico produces many high quality raisins, which are destined to cover the domestic and export markets, while lower quality raisins are directed towards the domestic retail sector.

Raisin imports for MY 2005/06 are forecast at 13,500 MT despite increased production, which is still unable to cover the domestic demand. Raisin import estimates for MY 2004/05 and 2003/04 were revised upward based on the Secretariat of Economy's trade data. In recent years, quality has not been a factor in determining consumption for most Mexican consumers; however, the common consumer is shifting preferences as better options, not only for raisins but also for a wider variety of products, are offered in most chain stores. Quality continues to be a factor for Mexican food processors, many of whom use high-quality raisins.

MARKETING

Of the original nine raisin processing plants, only seven are reportedly active due to the difficult producing conditions in Sonora. These seven processing plants continue exporting the highest-quality raisins and sell the remaining production to the domestic wholesale market. Traditionally, raisins are marketed in 10 kg boxes, but wholesalers will repackage them, based on customer requests. However, as previously stated, the Caborca producers and packers are currently joining forces to supply the retail sector with one-half and one-kilogram bags, excluding the wholesaler intervention from the supply chain, in a direct effort to obtain higher profits.

SECTION II. STATISTICAL TABLES

PS&D TABLE

PSD Table						
Country	Mexico					
Commodity	Raisins				(HA)(MT)	
	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	08/2003		08/2004		08/2005	
Area Planted	3,000	3,000	3,000	3,000	0	3,000
Area Harvested	3,000	3,000	3,000	3,000	0	3,000
Beginning Stocks	0	0	0	0	0	0
Production	7,440	7,200	7,500	7,300	0	8,000
Imports	10,580	12,854	10,600	13,440	0	13,500
TOTAL SUPPLY	18,020	20,054	18,100	20,740	0	21,500
Exports	4,210	2,897	4,300	3,100	0	3,900
Domestic Consumption	13,810	17,157	13,800	17,640	0	17,600
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	18,020	20,054	18,100	20,740	0	21,500

TRADE MATRIX

RAISINS		H.S. 0806.20	UNITS: METRIC TONS	
EXPORT FOR CY (JAN-DEC) 2003 TO:			IMPORTS FOR CY (JAN-DEC) 2003 FROM:	
U.S.	3,903		U.S.	5,163
OTHER			OTHER	
GUATEMALA	270		CHILE	5,477
CHILE	42		CHINA	2
TOTAL OF OTHER	312		TOTAL OF OTHER	5,479
OTHER NOT LISTED	41		OTHER NOT LISTED	2
GRAND TOTAL	4,256		GRAND TOTAL	10,644

RAISINS		H.S. 0806.20	UNITS: METRIC TONS	
EXPORT FOR CY (JAN-DEC) 2004 TO:			IMPORTS FOR CY (JAN-DEC) 2004 FROM:	
U.S.	3,253		U.S.	6,779
OTHER			OTHER	
GUATEMALA	377		CHILE	6,478
HONDURAS	30		TURKEY	40
TOTAL OF OTHER	407		TOTAL OF OTHER	6,518
OTHER NOT LISTED	24		OTHER NOT LISTED	27
GRAND TOTAL	3,684		GRAND TOTAL	13,324

Source: Global Trade Information, World Trade Atlas, Mexico Edition, December 2004.